

City of Willows

Fiscal Year 2024-25

FY 2024-25 Preliminary Budget Overview – Main Operating Funds



Presentation to City Council

May 29, 2024



FY 2024-25 Preliminary Budget Overview - Discussion Outline -

1. Preliminary Budget Preparation Process
2. FY 2024-25 Preliminary Budget – General Fund
3. FY 2024-25 General Fund Changes / Additions
4. General Fund Forecast – Fund Balance / Opportunities
5. FY 2024-25 Enterprise Funds (Sewer / Water)
6. FY 2024-25 Special Revenue Funds (Main Operating Funds)
7. Questions / Direction

FY 2024-25 Preliminary Budget - Budget Preparation Process -

FY 2024-25 Budget Preparation Process:

- Builds upon General Fund “Base Budget” prepared and adopted with FY 2023-24 Mid-Year Budget Review – January 17, 2024
- Review and update of citywide main operating funds – service delivery / cost allocation / CIP focus
- Coordination with staff to determine fiscal needs to provide critical services
- Review future revenue and expenditure trends and forecasts
- Information / Direction received from Preliminary Budget discussion to serve as foundation for preparing Citywide FY 2024-25 Proposed Budget

FY 2024-25 Preliminary Budget - General Fund -

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary General Fund Budget	\$ 5,673,428	\$ 6,463,506

Preliminary Budget Use of Reserves – (\$790,078)

Use of reserves required due to:

- **Systemic ongoing deficit to provide services at a defined “Base” level (*current “base” level not sustainable*)**
- **Expenditure growth that exceeds revenue growth**

FY 2024-25 Preliminary Budget

- General Fund Changes / Additions -

Revenues

- 2.0% growth in Property Tax
- Sales Tax and Transient Occupancy Tax adjusted to reflect current level of collections
- Continuation of appropriate cost allocations to the Sewer Enterprise Fund
- Inclusion of reimbursed costs associated with Planning / Engineering activities
- CalFire Grant included (\$210,937) – Partially supplants existing costs
- Use of \$264,208 in remaining ARPA funding towards Police contract

FY 2024-25 Preliminary Budget - General Fund Changes / Additions -

Expenditures

- Public Safety Consulting - \$10,000
- City Attorney's Office - Special Projects - \$25,000
(note: could reduce to \$16,000)
- Finance Department personnel costs (fully staffed / staff transition) - \$55,169
- Community Development personnel costs (fully staffed) - \$39,853
- Slight increase in Information Technology contract
- PG&E costs increases
- Police Services contract - \$2 million
- Engineering costs (adjust base)

FY 2024-25 Preliminary Budget - General Fund Changes / Additions -

Expenditures

- All positions are fully funded for entirety of fiscal year (no salary savings are built in)
- Only negotiated and approved salary increases are included (currently none)
- Police contract costs are programmed to increase each year

FY 2024-25 Preliminary Budget - General Fund -

Current Revenue Characteristics:

- “Big Three” revenue sources (Property Tax / Sales Tax / Transient Occupancy Tax) make up 77% of General Fund base revenues
 - Revenue growth not keeping pace with expenditure growth
- Recent reliance on one-time funding to fund critical citywide needs
 - Fire / Public Works grants (equipment and operations)
 - ARPA funding for various General Fund needs

FY 2024-25 Preliminary Budget

- General Fund -

Current Expenditure Characteristics:

- Inflation impacting everyday cost of providing services
 - Labor benefit costs (health insurance / CalPERS costs)
 - Utilities costs
- Existing number of staff and related costs required to deliver desired levels of service
 - City directly provides array of services – Administration / Public Works / Community Development / Fire / Library / Recreation
 - City contracts for required services – Police / Select Administrative Functions

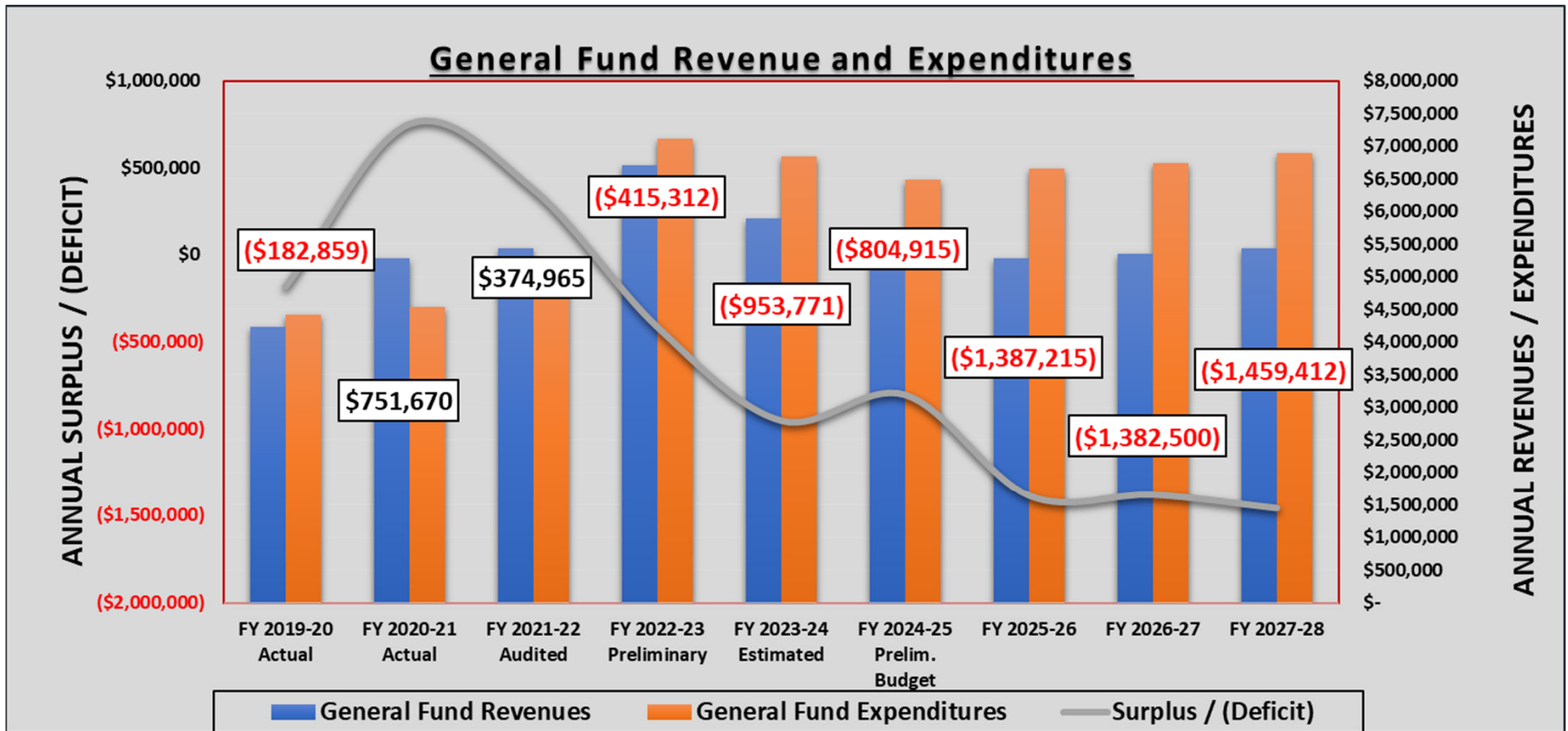
FY 2024-25 Preliminary Budget - General Fund -

Current Expenditure Characteristics:

- Budget only captures known fiscal activity at given time
 - City always encounters unforeseen needs as year progresses – vehicle and maintenance needs; community safety needs; etc
 - Cost of unforeseen needs during FY 2023-24 ~ \$80,000

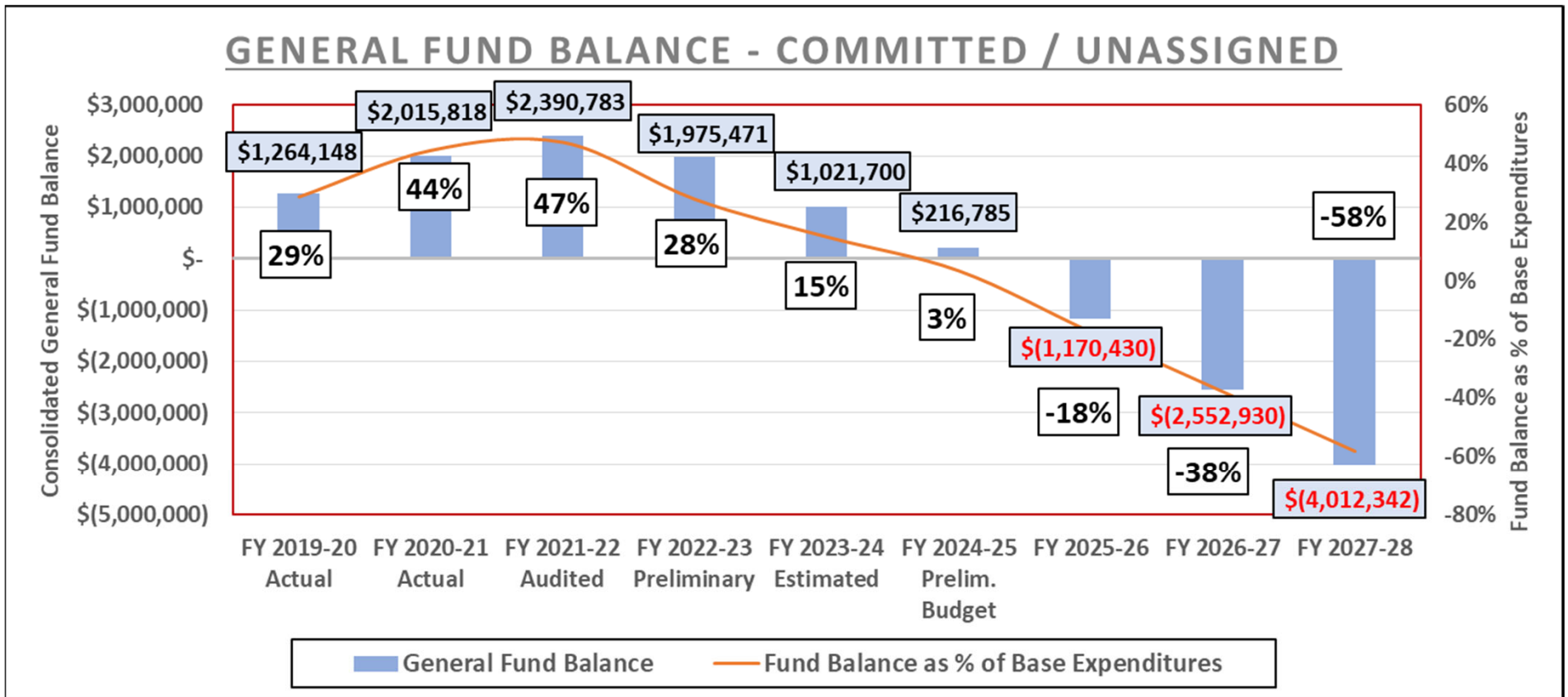
FY 2024-25 Preliminary Budget - General Fund Forecast -

General Fund – Updated Forecast



FY 2024-25 Preliminary Budget - General Fund Forecast – Fund Balance -

General Fund – Updated Fund Balances:



Reserves Depleted In FY 2025-26

FY 2024-25 Preliminary Budget - General Fund Opportunities -

Fund Balance Improvement Opportunities

- Opportunities may exist to grow base revenue level in the City
 - Review and update of Master Fee Schedule
 - Analyze potential revenue impacts from implementation of the Transaction and Use (Sales) Tax consistent with many other cities in the greater region
 - Perform 1-time audit of TOT sales tax to assure proper collections (cost ~ \$2,500)
 - Review revenue generating opportunities from city assets (sale of city owned properties/lease note against city owned properties)

FY 2024-25 Preliminary Budget - General Fund Opportunities -

Fund Balance Improvement Opportunities

- Opportunities may exist to reduce base costs in the City
 - Review options for public safety service delivery
 - Analyze cost recovery opportunities
 - Review cost savings opportunities associated with providing discretionary services (recreation ~ \$28,000 / Library ~ \$211,000)

FY 2024-25 Preliminary Budget - Enterprise Funds -

Sewer Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ 2,055,350	\$ 4,898,655

Projected Sewer Fund Balance @ 6/30/25: \$ 2,439,807 *Note: \$1,066,089 reserved*

Sewer Fund Budget Notes:

- Programmed rate increase for sewer service rates consistent with rate study
- Capital projects / maintenance include – Multiple Lift Stations; Lassen St. Sewer Rehabilitation; WWTP Improvements / Upgrades; Annual Sewer Replacement Project; Shasta / Butte Replacement Project
- Sewer Fund budget includes charge of \$255,357 for overhead, administration and Public Works staff costs (will only transfer actual costs)
- Operating margin before considering capital: ~ \$276,000

FY 2024-25 Preliminary Budget - Enterprise Funds -

Water Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ -	\$ -

Projected Water Fund Balance @ 6/30/25: \$ - *Note: Fund to be closed out*

Sewer Fund Budget Notes:

- Water Fund activities planned to be transferred to Cal Water System by undertaking a tie-in project using ARPA Funding
- Once completed, fund will be closed out

FY 2024-25 Preliminary Budget - Special Revenue Funds -

Gas Tax Fund(s)

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ 181,843	\$ 113,827

Projected Gas Tax Fund(s) Balance @ 6/30/25: \$ 285,297

Gas Tax Fund(s) Budget Notes:

- Gas taxes may be used for any transportation purpose
- Plan to transfer \$45,000 of Streets worker costs from General Fund
- Capital Projects currently include \$6,827 appropriated for the Street Maintenance Program

FY 2024-25 Preliminary Budget - Special Revenue Funds -

RMRA (SB-1) Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ 167,705	\$ 158,173

Projected RMRA (SB-1) Fund Balance @ 6/30/25: \$ 463,653

RMRA (SB-1) Fund Budget Notes:

- RMRA funds may be used for any transportation purpose – need to assure Maintenance of Effort met in General Fund to continue receiving
- Capital Projects currently include \$158,173 appropriated for the Street Reconstruction / Resurfacing Program

FY 2024-25 Preliminary Budget - Special Revenue Funds -

RSTP Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ 100,000	\$ 105,879

Projected RSTP Fund Balance @ 6/30/25: \$ 150,535

RSTP Fund Budget Notes:

- RSTP funds may be used for eligible transportation purposes
- Capital Projects currently include \$66,200 appropriated for the Annual Sidewalk Maintenance Program; and \$39,679 towards the Street Resurfacing Program

FY 2024-25 Preliminary Budget - Special Revenue Funds -

Community Discretionary Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ 5,890	\$ 13,500

Projected Community Discretionary Fund(s) Balance @ 6/30/25: \$ 813

Community Discretionary Fund Budget Notes:

- This fund accounts for de-federalized funding from CDBG loan repayments
- Funds may be used for any Citywide purpose – historically used for LAFCO, League of CA Cities, and memberships in economic development-related groups
- Appropriations include payments for Property Tax Assessments on City-owned properties and annual LAFCO dues

FY 2024-25 Preliminary Budget - Special Revenue Funds -

American Rescue Plan Act (ARPA) Fund

	<u>Revenues</u>	<u>Expenditures</u>
FY 2024-25 Preliminary Budget	\$ -	\$ 294,208

Projected ARPA Fund Balance @ 6/30/25: \$ -

Community Discretionary Fund Budget Notes:

- ARPA Funding has been used over last three years for a variety of citywide expenditures
- Remaining amounts of ARPA funding recommended for offset to Public Safety Contract costs (\$264,208) and completion of Master Fee Schedule Update (\$30,000)



FY 2024-25 Preliminary Budget

- Questions / Direction -

Questions /
City Council Direction